



BHP

Building a better world

BHP's actions
on climate



Why climate change matters to BHP

Climate change is one of the biggest challenges facing the world. Without sufficient action, extreme weather threats will be amplified, risking lives and livelihoods, and opportunities from global decarbonisation will be reduced.

BHP fully supports the global commitment to avoid the worst effects of climate change by limiting warming to well below 2°C – and the aim to keep it to no more than 1.5°C.

But the world is not on track to meet this challenge. We need greater ambition from governments, companies and communities, with realistic plans to achieve this. And we need to meet this challenge while also creating new jobs, heating homes and building important new infrastructure.

There is no simple solution and accelerated collective action is required.



Why 1.5°C?

In 2015, world leaders committed to the landmark Paris Agreement on climate change. The agreement's central aim is to keep the global temperature rise this century well below 2°C degrees above pre-industrial levels and to pursue efforts to limit the temperature rise even further to 1.5°C degrees.

The role BHP can play in tackling climate change

From transport to farming, housing to entertainment, almost every aspect of modern life contributes to greenhouse gas emissions.

That means that every business and every community has a part to play in responding to the challenge.

As a resources company operating across the world, BHP has an important role to play in the transition to a low carbon future.

Reducing our own emissions

We mine materials that are critical to reducing the emissions driving climate change. For example, to keep pace with the development of technologies such as solar energy or electric vehicles, the world will need to double the production of copper. And in the future, we will need potash to promote more efficient farming practices to sustainably meet the needs of a growing global population.

But at BHP, we know that some of the resources we produce are also sources of greenhouse gas emissions. That’s why we’re committed to reducing the emissions we create as a business and supporting reductions in our value chain.

Working in partnership

No single company, government or community can deliver the outcome the world needs. Collectively, we need to partner with others to accelerate the transition to a low carbon future and invest in the development of low emissions and negative emissions technologies, including natural climate solutions.

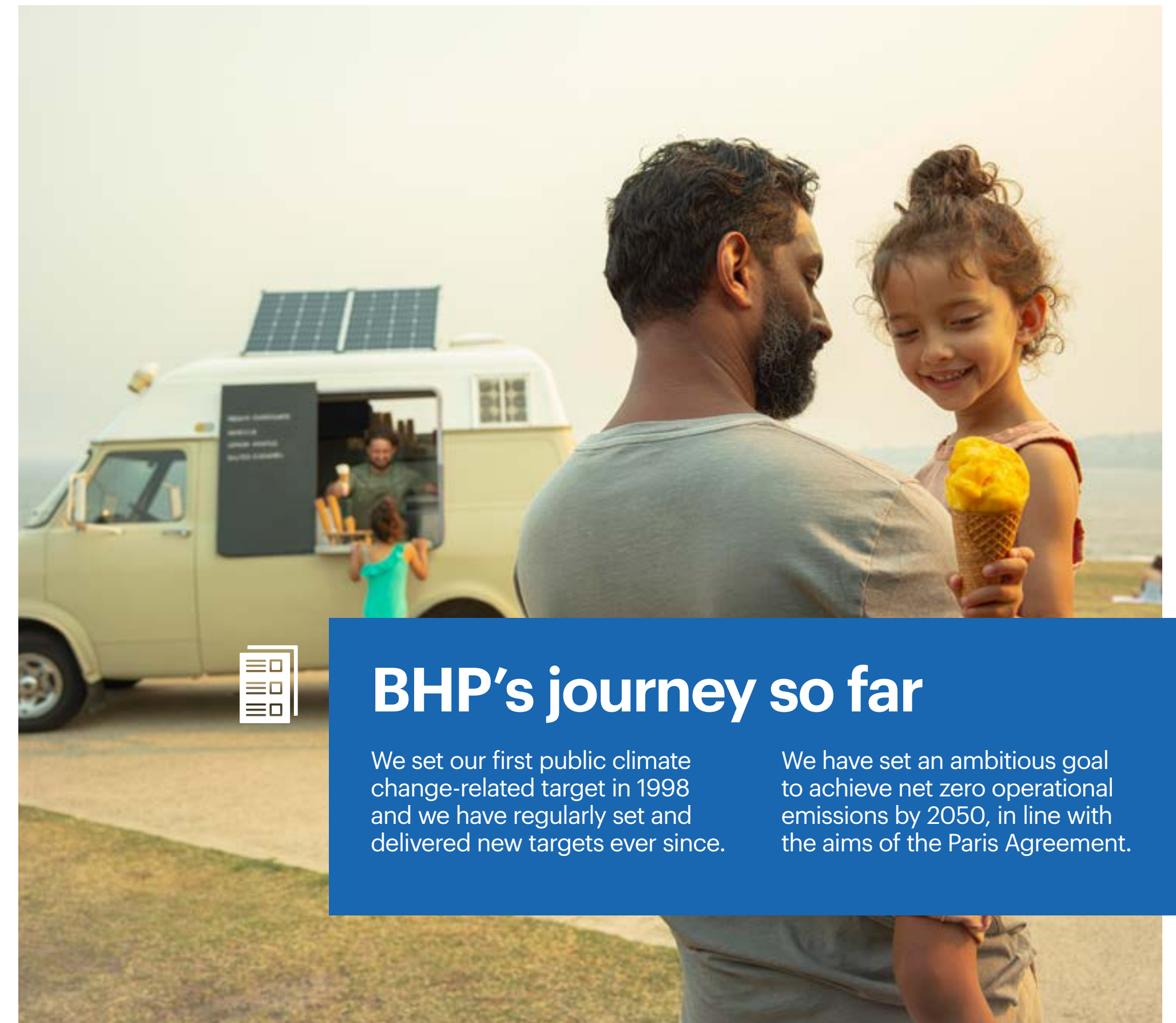
BHP wants to play its part, creating partnerships to develop new technologies and supporting effective government policies which will reduce emissions at the lowest cost.

A sustainable business

Tackling climate change is the right thing to do and it will also strengthen our business in the long run.

Climate change poses a significant risk to our business, particularly the physical impact that more extreme weather could have on our operations. So, by helping the world reduce emissions we are also protecting our operations for the long term.

There are also opportunities for BHP, especially as we improve the efficiency of how we use our resources and build resilience across our operations. Our efforts to reduce emissions and build resilience will help make our operations safer, lower cost, more productive and more reliable.



BHP’s journey so far

We set our first public climate change-related target in 1998 and we have regularly set and delivered new targets ever since.

We have set an ambitious goal to achieve net zero operational emissions by 2050, in line with the aims of the Paris Agreement.

Our commitments to change

We are taking action on climate change across four areas:

Reducing emissions

From our own operations



Helping others

Reduce emissions from processing, use and transport of our products



Enabled by

Investing in new technologies and partnerships



Supported by

Transparency, governance and advocacy



Reducing emissions in our own operations

Reducing our operational emissions (Scope 1 and Scope 2 emissions from our operated assets) is a key part of our climate change strategy.

The biggest focus is on reducing the emissions which come from the energy and diesel we use to power our operations.

We have set targets* and goals for reducing operational emissions:

By 2022

Grow our business without growing our emissions by keeping them at or below the level they were in 2017**.

By 2030

Reduce emissions by at least 30 per cent, compared to 2020**.

By 2050

Achieve net zero emissions.

Reducing emissions from the processing, use and transport of our products

The emissions from the use of our products are much higher than those from our own operations, so we are working with our customers and suppliers to help them reduce these emissions, and to support decarbonisation of the maritime industry.

The most significant contributions to these Scope 3 emissions comes from iron ore and metallurgical coal in steelmaking.

We have set value chain emissions goals for 2030:

Supporting industry to develop technologies and pathways capable of 30 per cent emissions intensity reduction in integrated steelmaking, with widespread adoption expected post-2030.

Supporting 40 per cent emissions intensity reduction of BHP-chartered shipping of our products.



What are ‘Scope 1, 2 & 3’ emissions?

Scope 1

All direct emissions from an organisation’s owned or controlled sources, e.g. one of our trucks burning diesel fuel.

Scope 2

Indirect emissions from the generation of purchased energy, e.g. using grid power at our operations.

Scope 3

All other indirect emissions that occur in the value chain of an organisation and in the use of the products it creates, e.g. a customer turning iron ore into steel.

* All target dates refer to Financial Years, e.g. 2022 refers to FY2022.

**Reference baselines will be adjusted for any material acquisitions and divestments based on greenhouse gas emissions at the time of the transaction. Carbon offsets will be used as required.

Our commitments to change

Investing in new technologies and partnerships

In July 2019 we announced that our Climate Investment Program will invest US\$400M in low emissions technologies and natural climate solutions and support partnerships to address Scope 3 emissions. This includes the assets that BHP operates as well as across our value chain.

Since then, we have identified approximately US\$350M of investment opportunities and we are now beginning to allocate funding.

The first of these investments will help reduce our operational emissions and address Scope 3 emissions in the steelmaking sector, particularly emerging technologies that have the potential to be scaled for widespread use.

Transparency and governance

We are driving greater accountability for progress on climate change within our business.

We have strengthened the link between climate change performance measures and executive remuneration. From FY2021, 10 per cent of our Executive Team’s short-term incentives will be dependent on how successful we are at achieving our climate change targets and goals. That success will also impact long-term incentives, which are based on long-term sustainable value creation.

Every year, we report on emissions and the progress against our targets and goals. We want to be judged on our actions, not our words.

We work with others to contribute to development of effective, long term policies that can deliver a low carbon world. As part of this, we are members of many industry associations around the world that support this work. Our approach to industry associations is based on clear standards for policy advocacy, and engaging with associations to strengthen transparency and alignment.



You can find more details of our Industry Association Review [here](#)



Powering mines in Chile with renewable energy

Our Escondida and Spence Copper operations in Chile will be powered by renewable energy. We signed four new renewable power agreements, effectively displacing over three million tonnes of carbon dioxide per year, compared with the

fossil fuel-based contracts they are replacing.

Learning from this experience, we have just awarded a significant new renewable energy-based contract for our Queensland Coal assets.

Preparing for any scenario


To test our resilience, we compare how our business would perform under different scenarios for how the world might look in the future.

In 2015, we led the industry in releasing our first Climate Change Portfolio Analysis report, which assessed the implications for our business of limiting global warming to 2°C.

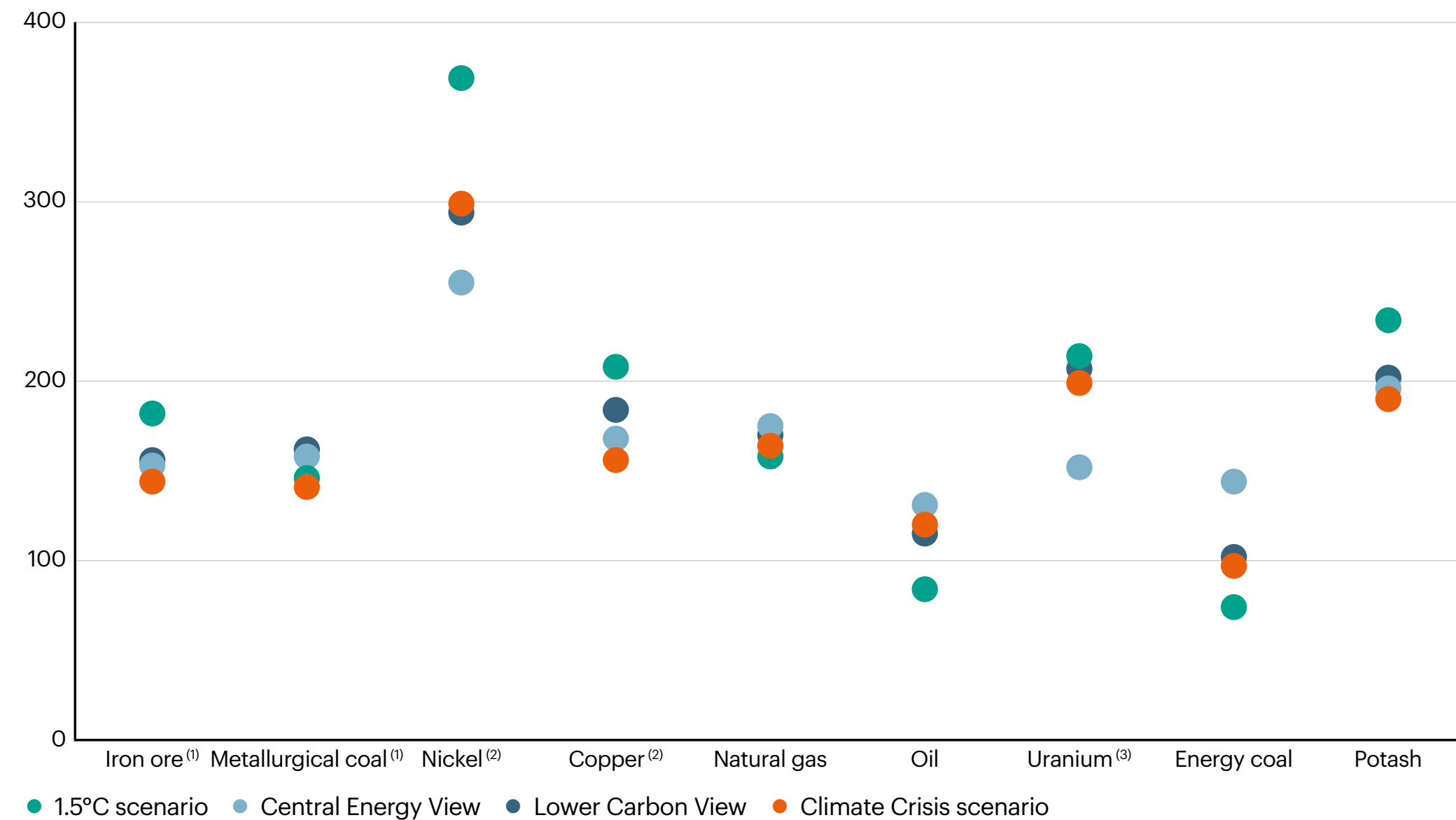
We have undertaken an updated portfolio analysis, including a comparison of inputs to our business planning cases with a new scenario of what the world would look like if we all acted to limit global warming to 1.5°C.

The pathway to 1.5°C represents a major departure from the trajectory of the world’s current emissions. Meeting this goal would require substantial investments from lots of different organisations across the world in new low emission technologies, energy and process efficiency, and ‘negative emissions’ processes to remove emissions already released into the atmosphere.

Our updated portfolio analysis demonstrates that our business can continue to thrive over the next 30 years, as the world takes action to decarbonise, even under a Paris-aligned 1.5°C trajectory. If such action is taken, opportunities to invest in commodities such as potash, nickel and copper, and our rigorous approach to capital allocation, would provide a strong foundation for our business.

 The full outcome of our portfolio analysis, including the 1.5°C scenario, is set out in our Climate Change Report available at [bhp.com](https://www.bhp.com)

1.5°C scenario: Cumulative demand for materials in the next 30 years compared to the last 30 years (%)
100% = CY1990-2019 cumulative demand



Source: BHP, Vivid Economics.

1 Iron ore and Metallurgical coal demand accounts for Contestable Market = Global seaborne market plus Chinese domestic demand

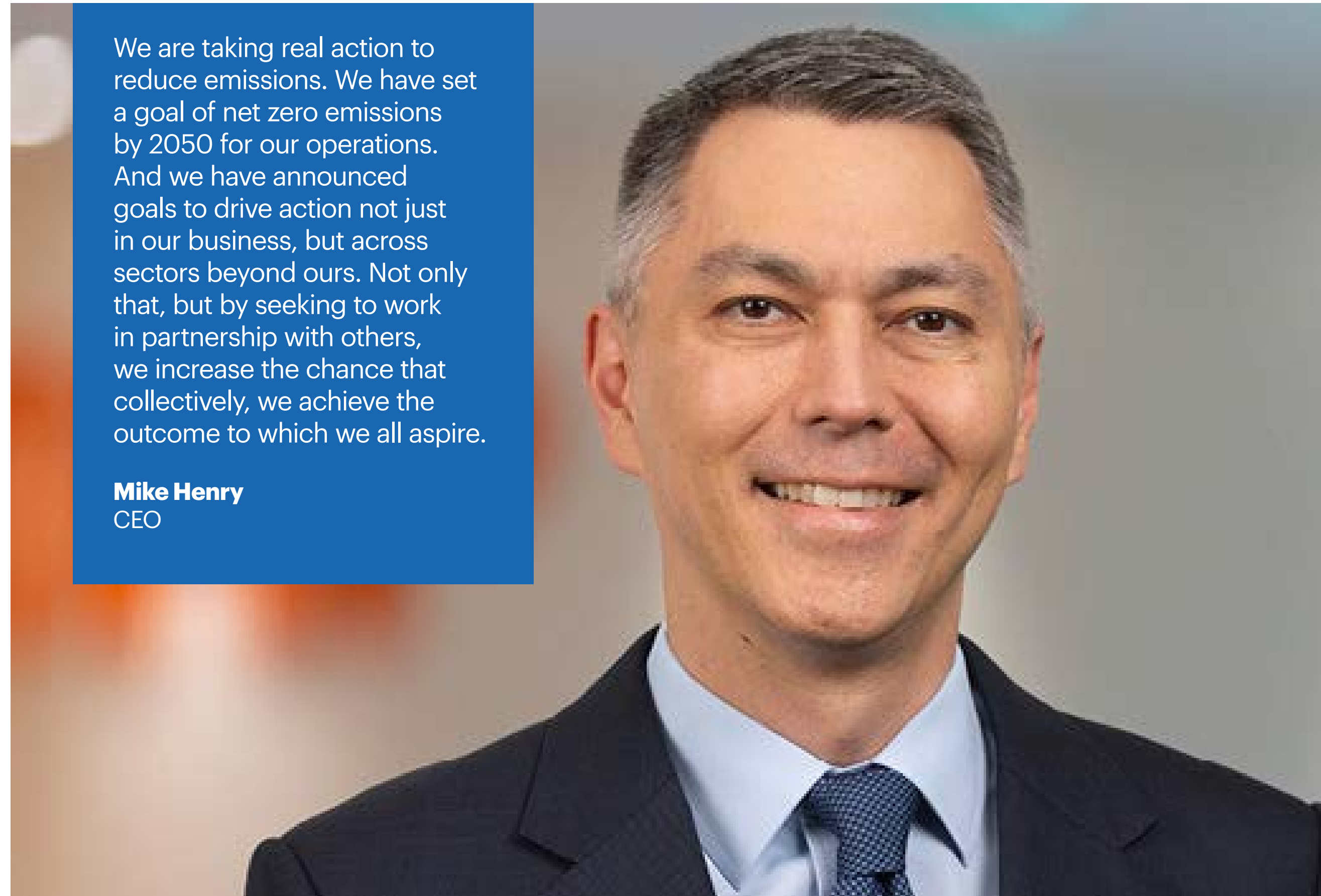
2 Nickel and Copper demand references primary metal

3 Nuclear power was used as a proxy for historic cumulative demand for Uranium

A pathway for action

We are taking real action to reduce emissions. We have set a goal of net zero emissions by 2050 for our operations. And we have announced goals to drive action not just in our business, but across sectors beyond ours. Not only that, but by seeking to work in partnership with others, we increase the chance that collectively, we achieve the outcome to which we all aspire.

Mike Henry
CEO



BHP has an important role to play in tackling climate change. We’re committed to reducing emissions in our own operations and working with our suppliers and customers to reduce the emissions from the processing, use and transport of our products. And many of the resources we mine will be critical to delivering the transition to a low carbon world.

BHP’s goal is:

Net zero emissions by 2050

Responding to a shared global challenge

Limiting global warming to 1.5°C will not be easy; there are many difficult challenges. Without collaboration, the world will not be able to achieve this, or other goals such as economic growth and reducing inequality. As a business, we want to play our part by reducing our own emissions as well as working with partners to commercialise, at scale and acceptable cost, low emissions and negative emissions technologies that are critical for the transition to a 1.5°C world.

Building a better world

Ultimately, BHP’s business is founded on providing the resources that communities and nations need to build better lives for their citizens today, and to create a brighter future for the decades to come. Tackling climate change is core to building a better world. A future built around a stable climate would mean that the potential of the resources we produce is maximised, their value should be higher, and the quality of life of hundreds of millions of people around the world would be better.

The full BHP Climate Change Report 2020 is available at [bhp.com](https://www.bhp.com)



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Companion to full report

This document is a concise overview of certain aspects of the BHP Climate Change Report 2020 and is intended to be read in conjunction with that more comprehensive report. As a concise overview, this document may omit information, analysis and assumptions and, accordingly, BHP cautions readers from relying on the information as presented in this document in isolation.

Forward looking statements

This document contains forward looking statements, including, but not limited to: statements regarding supply and demand for commodities; plans, strategies and objectives of management; assumed long-term scenarios; potential global responses to climate change; the development of certain technologies; and the potential effect of possible future events on the value of the BHP portfolio. In particular, such statements may include, but are not limited to, statements that relate to the purpose, goals, targets, plans and objectives of BHP, assumptions made in energy, and other forms of environmental transition scenarios, as well as statements about how we run our business, including our work with contractors and partners.

The forward looking statements in this document are based on the information available as at the date of this document and/or the date of the Group’s planning processes or scenario analysis processes. There are inherent limitations with scenario analysis and it is difficult to predict which, if any, of the scenarios might eventuate. Scenarios do not constitute definitive outcomes for us. Scenario analysis relies on assumptions that may or may not be, or prove to be, correct and may or may not eventuate, and scenarios may be impacted by additional factors to the assumptions disclosed.

Additionally, forward looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this document. BHP cautions against reliance on any forward looking statements or guidance.

There are a number of factors that may have an adverse effect on our results or operations, including those identified in the risk factors discussed in BHP’s filings with the US Securities and Exchange Commission (the ‘SEC’) (including in Annual Reports on Form 20-F) which are available on the SEC’s website at www.sec.gov.

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